

the experience that was already available by many other large users, but the thought was, let's go slow, let's do a demonstration project.

So since 1997, HCFA, the Federal agency with responsibility for managing Medicare, has been organizing this demonstration project. They selected Kansas City and Phoenix as the two sites for the demonstration project. They are about to start, and all of a sudden, on the 252nd page of what is supposed to be a corrective manager's amendment, we not only bar the demonstration projects that are about to commence but bar any other demonstration projects that may be suggested. Yet we started with a finding that we support competitive bidding.

Boy, I tell you, if this is the way they support the principle, you do not want them to be your parents and say they are going to give you good care.

Mr. DORGAN. Will the Senator yield for a short question?

Mr. GRAHAM. Mr. President, I ask unanimous consent for an additional 5 minutes.

The PRESIDING OFFICER. The Senator has 28 seconds remaining.

Mr. GRAHAM. I ask unanimous consent for an additional 5 minutes.

The PRESIDING OFFICER. If there is no objection.

Without objection, it is so ordered.

Mr. DORGAN. I want to inquire. I was unaware that that provision was in the package that was presented. Was the Senator from Florida aware, did he know of anyone else who was aware of that except perhaps the folks who wrote it?

Mr. GRAHAM. We have not found anybody who was aware of it except some diligent soul who actually got to page 252 of the bill sometime late last night or this morning and discovered this. I might say, it is very difficult to even get copies of this amendment.

We have known for several years that the HMO industry did not want competitive bidding. They like the socialized formula system that exists today. They are attempting in any way they can, including this stealth attack late last night on page 252, to kill competitive bidding.

Unfortunately, just as with the issue of the HMO bill we have been debating, on the issue of patients versus the bottom line of the HMOs, the HMOs won in the Patients' Bill of Rights, and they have won again by killing competitive bidding. I say they have won. I think it is a Pyrrhic victory.

I think the Senator from North Dakota might recall an event that, as Yogi Berra said, it is *deja vu* all over again. I think it was just about 3 years ago, in a similar stealth maneuver, that we discovered there was embedded in a large bill a provision that would have given the tobacco industry a \$50 billion tax break. Once that issue sur-

faced, it could not stand the light of day. It slowly withered, died, and has not been resurrected.

I suggest the light of day will be shed on what the HMO industry has done by inserting this amendment on page 252 of a technical amendment, the fact they are using this as a means of avoiding the rigors of the marketplace, they are using this to avoid a rationalization of the compensation that HMOs receive from their patients so that we don't continue this pattern of 32,700 people being dropped. I can tell my colleagues, most of these people are people who come from rural areas. They come from small towns where they don't have high fee-for-service medicine. The HMOs want to skim off those areas that have high fee-for-service, where they can get a formula that results in a very rushed reimbursement level. They don't want to provide services, and they don't even want to have a competitive bidding process that can arrive at what the marketplace says they should be paying for those HMO beneficiaries in smaller communities of America.

What we are seeing, again, is the bottom line winning out over the rights, the interests, and the health of patients. We are watching as Medicare patients are dumped on the street. Is that the HMO industry's idea of reform? It is my idea of a travesty, and it is one that we need to bring to the attention of America. And we, as the Senate, need to expunge this dark page, page 252, and its companion, page 253, from our records. I hope we will, at the first opportunity, do so.

I thank the Chair.

#### EXHIBIT 1

[From the Washington Post, July 16, 1999]

#### HMOs WILL DROP 327,000 MEDICARE BENEFICIARIES NEXT YEAR

(By David S. Hilzenrath)

About 327,000 of the 6.2 million Medicare beneficiaries nationwide who belong to HMOs will be abandoned by their health plans next year, the government said yesterday.

Of those, 79,000 will be unable to enroll in another health maintenance organization as 41 health plans withdraw from the federal health insurance program for the elderly and disabled and another 58 stop serving Medicare beneficiaries in particular areas, according to the agency that runs Medicare.

Medicare beneficiaries who lose their HMO coverage have two or three alternatives: They can choose another HMO, if one is available; they can revert to standard fee-for-service Medicare coverage; and they can buy "Medigap" policies to supplement the standard benefits.

But there is no guarantee that they can find a Medigap policy with prescription drug coverage, which is one of the main reasons some Medicare beneficiaries choose HMOs.

In Maryland and Virginia, 33,000 beneficiaries—26.9 percent of those with HMO coverage—will lose their current coverage, and 27,000 will be unable to replace it with another HMO.

An HMO industry group recently predicted that more than 250,000 beneficiaries would be

affected by the changes, but the Department of Health and Human Services released the final tally based on notices HMOs were required to submit by July 1.

This year, a larger number of beneficiaries—407,000—were abandoned by their HMOs, but a smaller number—51,000—were left without an HMO option.

The managed-care industry says HMOs are pulling out of Medicare because the government isn't paying them enough, but the government says the HMOs' actions reflect broader industry trends.

#### THE NON-SOCIAL SECURITY SURPLUS

Mr. DOMENICI. Mr. President, I will take a little time to speak about the surplus that we have over and above Social Security, which we call the non-Social Security surplus. That is the amount by which the taxpayers of this country have paid more into the U.S. Treasury than we need to run Government.

I choose now to speak to a proposal that I made with the introduction of a tax bill yesterday. I introduced it and had it printed and reported to the appropriate committee because I thought that even though I am not on the Finance Committee, that some of my ideas and thoughts might be relevant. I wanted the Senate to have the benefit of what I thought should be a good way to fix the Tax Code while we are reducing taxes.

Let me address this matter in a text that I have prepared and worked very hard on, including the bill that was introduced. I thank my staff for the diligent work and the Joint Committee on Taxation for their willingness to help us with evaluations of how much these various proposals will cost.

T.S. Eliot wrote, "April is the Cruellest Month." Millions of Americans agree, especially around April 15. The Congress is going to pass a tax bill to make April a little kinder. I say it is time to share the surplus. Since without tax relief it takes the average worker until May 11 to earn enough money to pay his or her taxes, our tax bill also lets people start working for their families' benefit earlier in the year.

American families are currently saddled with an unprecedented tax burden. Total Federal tax collections are at a post-World War II high of 20.7 percent of the gross domestic product. Individual income tax collections alone are 10 percent of the gross domestic product and are projected to stay there. We have never experienced a government based on that level of income taxation, speaking of the income tax component of our total American government tax table.

The 1990s are truly a decade when government taxed the total population of America at a very excessive rate. The President will have a choice to spend on government programs or resist the urge to splurge and instead return the overpayment to its rightful

owners in the form of a tax cut or tax relief. It is estimated the average American household will pay nearly \$7,000 more in taxes than the government needs to operate the non-Social Security portion of the government over the next decade. The tax-writing committees of Congress are working right now to fashion a 10-year tax cut, phasing it in, that will total around \$778 billion over the next 10 years. In the Senate it seems that they are working on that exact number because that is what the budget resolution we adopted said they should do. The House seems to be moving in a direction of a little larger tax cut over the decade, but we are talking now about \$770 billion to \$800 billion plus.

The ideas that are encapsulated in the bill I introduced take into account that the economy is booming. Personal income tax, as measured against adjusted gross income, is up 8.25 percent from 1997 over 1996. That is a current year IRS statistic. That is, personal income, as measured as adjusted gross income, is up 8.25 percent. Income tax revenues are up 10.2 percent. This is good news and bad news, and these statistics encapsulate both.

The good news is our salaries, capital gains, and interest income are growing. The bad news is that bracket creep is pushing more and more Americans into higher tax brackets, even though we do not have as many brackets as we had years ago when bracket creep was a major American problem because of high inflation.

It is still pushing them into higher brackets, and at the same time, the code is working to make more and more American taxpayers pay what is commonly called now AMT taxes; that is, alternative minimum taxes, which really were never intended to cover the vast number of Americans that are currently being pushed into the alternative minimum tax portions of our code because they are being pushed into higher brackets.

I share with the Senate the key components of the bill I introduced, and I want to recognize that this bill builds upon legislation introduced by Senators COVERDELL, TORRICELLI, and MACK.

The philosophy behind the various provisions is something important, as I view it. I have been a long-time advocate of fundamental tax reform. I believe it would be better for our economy and simpler and fairer if we could shift our tax base from income that is earned and instead tax income that is consumed. There are very few who disagree that that would be a very good approach to a philosophy of taxation in our country. I have often said our current code is hostile to savings and investing and that we, as a Nation, pay the price in the form of lower economic growth.

The philosophical underpinnings of this package corrects some deficiencies. Let me go through it.

First section. Broad-based tax relief for all taxpaying families. Purpose: To cut taxes for 120 million American taxpayers by lowering and widening the 15-percent Federal income tax bracket.

Second, marriage penalty mitigation and burden reduction. The purpose is to return 7 million taxpaying families to the 15-percent bracket and to cut taxes for another 35 million taxpaying families who will benefit from a tax cut of up to \$1,300 per family. It eliminates or mitigates the marriage penalty for many middle-class taxpaying families. That happens by merely adjusting the brackets downward and upward in the 15-percent area. I repeat, you do not change the marriage penalty for middle-class taxpaying families, but by making the 15-percent bracket broader, adding \$10,000 to the adjusted gross income people can earn and still be in that bracket, and lowering the bottom bracket 1.5 percent, much of the marriage penalty is mitigated for people in those brackets.

Third, dividend and interest tax relief. Adjusting the tax base to recognize that dividends and interest should not be taxed. Now, obviously, there is not room in a tax package to totally eliminate dividends and interest. But the purpose of our bill is to provide an incremental step toward taxing income that is consumed rather than income that is earned and saved. It simplifies the code by eliminating 67 million hours of spent time in tax preparation. It eliminates Federal income taxes on savings for more than 30 million Americans in the middle-class families and reduces Federal income taxes on savings for an additional 37 million Americans. It essentially allows about a \$10,000 nest egg to grow, tax free, and will let Americans enjoy the miracle of compound interest.

Specifically, it excludes the first \$500 in interest and dividend taxation. That permits you to grow this nest egg and not have to pay taxes on the interest and dividends for the first \$500 in that kind of income. It sounds small, but it affects a huge number of Americans and starts us in the direction of saying we ought to save, and we ought to start taxing not earned income, but consumed income.

The next provision is a capital gains cut by recognizing that investment and investing should be encouraged, not penalized. A Tax Code for the new century should exclude modest capital gains from taxation. The purpose of the provision is to provide an incremental step toward shifting our Internal Revenue Code away from taxing savings and investment. A savings-friendly Tax Code would lower the cost of capital so that prosperity, better paying jobs, and innovation can continue in the United States.

The bill would eliminate capital gains for 10 million American families, 75 percent of whose income is \$75,000 or less. This provision is also a 70 million man-hour timesaver. I can think of many activities to spend 70 million hours on rather than filling out tax forms. The specific of this provision is that it exempts the first \$5,000 in long-term capital gains from taxation. It eliminates it totally from taxation.

Another important section deals with retirement savings incentives. The purpose of this is to say that the savings rate for all Americans will increase by reforming the system to favorably treat income that is invested for retirement. It provides targeted incentives to middle-class families to increase their retirement savings in a traditional IRA by \$1,000 per working member of the family per year. Specifically, it raises the contribution limit for traditional deductible IRAs from \$2,000 to \$3,000 and indexes the limit for inflation, when we can fit that into the dollars in the code.

The bill includes a death tax phase-out. It recognizes that death should not be a taxable event in the 21st century. We do not have sufficient resources to do away with it in toto. Some will be proposing it. I think they will find that it is rather expensive, even with \$782 billion to spend. So the purpose of ours is to begin phasing it out. Specifically, it reduces tax from the top rate of 55 percent to 40 percent.

Then we have innovation and competitiveness. We all know those are characteristics that, at this point in our economic history, are rampant in our American economy. Innovation and competitiveness are the things that turned the American economy around and made Japan ask: What is America doing right? It made France and Germany ask: What are they doing right? Fifteen years ago, everybody was asking the reverse. Some were wondering if we should do things like they did things. I am grateful we did not, for most of the difference was planning by Government. They continued to do it and we came out of it with innovation and competitiveness.

Now we ought to make sure we do what we can with this available surplus to make the research and investment credit turn out to be a permanent part of the Tax Code. This change recognizes that the single biggest factor in creating better jobs through productivity growth is innovation. Productivity growth is derived from research and development conducted in the private sector. Between 60 to 80 percent of the productivity growth since the Great Depression can be traced to innovation.

Specifics of the proposal. The provisions here are the same as those contained in Senate bill 951, which I introduced. It makes this tax credit permanent, but also expands it to cover businesses that were not heretofore covered, including many small businesses that are filled with innovation but can't avail themselves of the research and development tax credit.

Last, but not least, the bill includes a section on energy independence. All I will say is that America is, once again, looking at itself in the world and finding that we grow more and more dependent on oil from abroad. In fact, it has gotten so high that there is no question that America is now dependent for its very survival upon importing oil from foreign countries. We have probably reached the point where we cannot avoid that. We will always be dependent. But the question is, Should we let an American oil and gas industry—principally made up of independent producers and risk takers—wither and die on the vine? Or should we change the Tax Code so more capital will be made available by the way we change the Tax Code for that kind of industry, the oil patch of America, for those who supply the services, take the risks, and those who pump the oil and gas.

We have made some changes and many Senators are interested in some of these issues, such as oil and gas capitalization, through changing the Tax Code. I won't read them one by one. To be specific, with reference to my own State, this overall proposal cuts taxes for 574,000 New Mexican families who have to file an income tax return.

First, the bill cuts taxes by 10 percent by lowering the 15-percent bracket to 13.5 with a 5-year phase-in. This lowers taxes for families with adjusted gross incomes up to \$44,000 for joint filers and \$28,000 for single filers. The tax change puts 424,000 New Mexicans who weren't up to that amount in a new lower bracket and cuts their taxes by 10 percent. This bill also raises the threshold on the 15-percent bracket—something that was included in the proposals made by the distinguished Senator from Georgia and Senator TORRICELLI from New Jersey. It raises that threshold by \$10,000 so that middle-income Americans can earn up to \$55,000 in a joint return and only pay 15 percent, instead of being dumped into the higher bracket once they are at \$44,000. This is going to cut taxes for families with adjusted gross incomes between \$44,000 and \$55,000. You know the rest.

According to our own revenue and taxation department in my home State, approximately 151,000 New Mexicans would be returned to the 15 percent tax bracket from which they have been pushed out; 83,000 of the families would see their taxes cut by \$1,300 a year. Because of the progressive rate

change structure, New Mexicans in the 28, 31, 36 and 39.9 brackets would all see their taxes cut by a similar amount because of the marginal rate concept in our law.

This bill excludes \$500 in interest and dividends from taxation. The exclusion essentially makes a \$10,000 nest egg tax free; 504,000 New Mexicans will be helped by it and file more simple tax returns. The bill exempts \$5,000 in capital gains from taxation, amounting to a \$1.4 million tax cut for 118,000 New Mexicans.

I close with a quote from Milton Friedman.

Milton Friedman said, and I agree:

The estate tax sends a bad message to savers, to wit: that it is O.K. to spend your money on wine, women and song, but don't try to save it for your kids. The moral absurdity of the tax is surpassed only by its economic irrationality.

The death tax is also one of the most unpopular taxes. While most Americans will never pay it, 70 percent believe it is one of the most unfair taxes. Its damage to the economy is worse than its unpopular reputation. The Tax Foundation found that today's estate tax rates (ranging from 18 to 55 percent) have the same disincentive effect on entrepreneurs as doubling the current income tax rates and NFIB called it the "greatest burden on our nation's most successful small businesses."

The would make R&E credit permanent and phase-in some modifications during last five years. This is essentially the text of a bill I introduced earlier this year.

The bill increases expensing to \$250,000. This will simplify record keeping for 2.5 million small businesses and save them a whopping 107,000,000 hours in tax preparation.

It also phases out the AMT for both individuals and corporations.

The tax plan also recognizes that there are certain areas of the country—oil patch in particular that are being devastated. At the same time, the oil and gas industry pays some of the highest taxes in the country. For this reason the bill also includes oil and gas tax relief.

While the Joint Committee on Taxation has not completed its revenue estimate, it is my intention that these tax provisions can be accommodated within the Budget Resolution.

#### THE ILLEGAL PURCHASE OF FIREARMS

Mr. LEVIN. Mr. President, we've all heard the saying, "if at first you don't succeed, try, try, again." It's a lesson we've been taught since childhood. It's a lesson used to teach children to be persistent and work hard if they want to achieve their goals. It is also a lesson that applies to the purchase of firearms, and it is one that Benjamin Smith knew all too well.

Over the Fourth of July weekend, the majority of Americans were celebrating the birth of our nation. But the long holiday weekend produced yet another tragedy, made possible by the free flow of deadly firearms. A single man, Benjamin Smith, with a hatred for life, allegedly used a .22 caliber handgun and a .380 caliber semi-automatic handgun to murder two people and wound nine before ending his own life.

The alleged gunman had a history of violence, a protection order filed against him, and belonged to an organization that espouses hatred toward minorities, yet, he was still able to purchase deadly firearms, all because he was persistent. Approximately one week before his killing spree, he had applied to purchase firearms from a licensed firearms dealer in Illinois. He obtained an owner identification card, filled out an application, and expected to retrieve his weapons shortly thereafter. A few days later, however, he returned to buy the weapons and was rejected by the licensed dealer after failing to pass the Illinois state background check. Unfortunately, Benjamin Smith knew his lesson, "if at first you don't succeed, try, try again."

Benjamin Smith knew of other means to obtain firearms. He knew that although he was not permitted to purchase a gun from a licensed dealer, he would have few problems buying a gun on the street, from an unlicensed dealer. He knew that federal law requires that background checks be conducted by licensed dealers, but he also knew of a large secondary market in the United States that permits the free flow of weapons in to the hands of those who can not pass background checks. And, because he knew how easy it is to obtain a gun in the United States, Benjamin Smith was able to try, again, to purchase firearms for his killing spree.

Smith's second attempt to purchase guns was successful and as a result, this dangerous young man was equipped with the two handguns believed to be used in the several Independence Day shootings. Because of this secondary market that allows easy accessibility of firearms, the nation is again mourning the loss of innocent lives lost to gunfire. And although the American public expresses continual outrage that federal firearms laws are not strong enough to prevent persons like Benjamin Smith from purchasing guns, Congress has not yet responded. We need to try, try again to pass meaningful legislation that will put an end to this senseless slaughter.

#### THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Thursday, July 15, 1999, the Federal debt stood at \$5,625,473,322,843.46 (Five trillion, six